

Charter Township of Pennfield
Calhoun County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended March 31, 2008

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Charter Township of Pennfield
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Charter Township of Pennfield's (the Township) financial performance provides a narrative overview of the Township's financial activities for the fiscal year ended March 31, 2008. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net assets decreased by \$94 thousand (1 percent) as a result of this year's activities. Net assets of the governmental activities increased by \$59 thousand and net assets of the business-type activities decreased by \$153 thousand.
- Of the \$10.1 million total net assets reported, \$3.4 million (33 percent) is unrestricted, or available to be used at the Board's discretion.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$1.8 million, which represents 63 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

The Township's basic financial statements are comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds and internal service funds as well as additional information. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township, reporting the Township's operations in more detail than the government-wide financial statements.
 - Governmental fund statements tell how general government services, like public safety, were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business, such as the sewer and water systems.
 - Fiduciary fund statements provide information about the financial relationships in which the Township acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-wide financial statements

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets (the difference between the Township's assets and liabilities) is one way to measure the Township's financial health, or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township, you need to consider additional nonfinancial factors such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements are divided into two categories:

- *Governmental activities* - Most of the Township's basic services are included here, such as the police, fire, and general government. Property taxes and state grants finance most of these activities.
- *Business-type activities* - The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's sewer and water systems are reported here.

Fund financial statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The Township establishes other funds to control and manage money for particular purposes (like Public Safety) or to show that it is properly using certain taxes and other revenues.

The Township maintains three types of funds:

- *Governmental funds*. Most of the Township's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flow in and out and, (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship between them.

Charter Township of Pennfield
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

- **Proprietary funds.** Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-and short-term financial information. In fact, the Township's enterprise funds are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
- **Fiduciary funds.** These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the government. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The Township's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

Net assets. Total net assets at the end of the fiscal year were \$10.1 million, a decrease of 1 percent compared to the prior year. Of this total, \$6.7 million is invested in capital assets and \$35 thousand is restricted for various purposes. Consequently, unrestricted net assets were \$3.4 million, or 33 percent of the total.

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Totals</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
Current and other assets	\$ 1,940,420	\$ 1,980,119	\$ 1,729,261	\$ 1,701,802	\$ 3,669,681	\$ 3,681,921
Capital assets	<u>2,278,422</u>	<u>1,365,355</u>	<u>8,803,215</u>	<u>9,139,642</u>	<u>11,081,637</u>	<u>10,504,997</u>
Total assets	<u>4,218,842</u>	<u>3,345,474</u>	<u>10,532,476</u>	<u>10,841,444</u>	<u>14,751,318</u>	<u>14,186,918</u>
Other liabilities	93,456	83,669	138,848	140,219	232,304	223,888
Long-term debt	<u>939,112</u>	<u>134,171</u>	<u>3,490,000</u>	<u>3,645,000</u>	<u>4,429,112</u>	<u>3,779,171</u>
Total liabilities	<u>1,032,568</u>	<u>217,840</u>	<u>3,628,848</u>	<u>3,785,219</u>	<u>4,661,416</u>	<u>4,003,059</u>
Net assets:						
Invested in capital assets net of related debt	1,377,597	1,231,184	5,313,215	5,494,642	6,690,812	6,725,826
Restricted	34,902	48,105	-	-	34,902	48,105
Unrestricted	<u>1,773,775</u>	<u>1,848,345</u>	<u>1,590,413</u>	<u>1,561,583</u>	<u>3,364,188</u>	<u>3,409,928</u>
Total net assets	<u>\$ 3,186,274</u>	<u>\$ 3,127,634</u>	<u>\$ 6,903,628</u>	<u>\$ 7,056,225</u>	<u>\$ 10,089,902</u>	<u>\$ 10,183,859</u>

Charter Township of Pennfield
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Changes in net assets. The Township's total revenues are \$3.4 million. Nearly 30 percent of the Township's revenues come from property taxes and another 33 percent come from charges for services.

The total cost of all the Township's programs, covering a wide range of services, totaled \$3.2 million. More than 38 percent of the Township's costs relate to the provision of utility services. Public safety costs account for 41 percent of the costs and general government costs account for 15 percent of the Township's total costs.

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Totals</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
Program revenues:						
Charges for services	\$ 238,037	\$ 247,174	\$ 990,721	\$ 948,743	\$ 1,228,758	\$ 1,195,917
Operating grants	14,340	11,679	-	-	14,340	11,679
Capital grants	59,042	66,095	15,800	187,532	74,842	253,627
General revenues:						
Property taxes	945,930	899,628	-	-	945,930	899,628
State grants	666,765	673,685	-	-	666,765	673,685
Investment earnings	94,944	85,696	76,715	66,663	171,659	152,359
Franchise fees	24,003	16,376	-	-	24,003	16,376
Gain (loss) on disposal of assets	(3,698)	142,087	-	-	(3,698)	142,087
Other	20,902	15,465	-	-	20,902	15,465
Total revenues	2,060,265	2,157,885	1,083,236	1,202,938	3,143,501	3,360,823
Expenses:						
Legislative	6,687	7,440	-	-	6,687	7,440
General government	485,629	438,785	-	-	485,629	438,785
Public safety	1,328,897	1,278,507	-	-	1,328,897	1,278,507
Public works	121,711	86,921	-	-	121,711	86,921
Community and economic development	13,924	12,946	-	-	13,924	12,946
Interest	44,777	2,989	-	-	44,777	2,989
Sewer	-	-	792,142	761,733	792,142	761,733
Water	-	-	443,691	433,029	443,691	433,029
Total expenses	2,001,625	1,827,588	1,235,833	1,194,762	3,237,458	3,022,350
Increase (decrease) in in net assets before transfers	58,640	330,297	(152,597)	8,176	(93,957)	338,473
Transfers	-	(245,695)	-	245,695	-	-
Increase (decrease) in net assets	\$ 58,640	\$ 84,602	\$ (152,597)	\$ 253,871	\$ (93,957)	\$ 338,473

Charter Township of Pennfield
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Governmental activities

The cost of all governmental activities this year was \$2.0 million. After subtracting the direct charges to those who directly benefited from the programs (\$238 thousand) and operating and capital grants (\$73 thousand) the "public benefit" portion covered by taxes, state revenue sharing and other general revenues was \$1.7 million.

Governmental activities increased the Township's net assets by \$59 thousand, compared to \$85 thousand in 2007, primarily related to the receipt of insurance proceeds in excess of a transfer to the Township's Water Fund last year, neither of which occurred this year. In 2008, revenues for property taxes increased by \$46 thousand, but expenses also increased for several expense categories, reflecting primarily increased contractual police costs, road project expenses, and interest expense on new debt.

Business-type activities

Business-type activities decreased the Township's net assets by \$152 thousand. The Sewer Fund generated a net asset decrease of \$85 thousand and the net assets of the Water Fund decreased by \$67 thousand, after charges for depreciation of \$189 thousand and \$148 thousand, respectively. The Sewer Fund decrease was similar to last year. The Water Fund had an increase in net assets of \$335 thousand in 2007, but received significantly greater tap fees last year for a school water extension, and received a transfer of \$246 thousand from the General Fund last year, as referred to above. Both the Sewer and Water funds generated positive cash flows from operating activities of \$93 thousand and \$180 thousand, respectively. The net Sewer Fund cash increase was \$44 thousand, while the total Water Fund cash increased by \$14 thousand for the year.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental funds

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1.86 million, a \$32 thousand decrease in comparison with the prior year, reflecting the public safety and public works expenditure increases discussed above, and other general cost increases in excess of modest revenue increases for the year. Of the total fund balances, 99 percent constitutes unreserved, undesignated fund balance, which is available for spending at the Township's discretion.

The General Fund is the primary operating fund of the Township. At the end of the fiscal year, unreserved fund balance was \$1.8 million, which represents 63 percent of the actual total General Fund expenditures for the current fiscal year. The General Fund balance decreased by approximately \$19 thousand, caused by larger expenditure increases for public safety and roads over revenue increases.

Proprietary funds

The Sewer Fund experienced an operating loss of \$92 thousand. Net assets are \$4.6 million at year end.

The Water Fund generated operating income of \$26 thousand. Net assets are \$2.3 million at year end.

See the description of the components of the utility funds' financial results in the above description of business-type activities

General Fund budgetary highlights

The difference between the original budget and the final amended budget for expenditures was an increase of \$800 thousand, chiefly to recognize an approval for the purchase of two new fire trucks and an addition to the fire building, which were financed primarily by newly issued long-term debt. The variance between the amended budget and actual expenditures reflects an adjustment to record additional capital outlays for one of the fire vehicles in progress at the end of the fiscal year. This amount was offset by a similar positive variance in proceeds from the issuance of debt.

Capital assets and debt administration

Capital assets

The Township's investment in capital assets for its governmental and business-type activities as of March 31, 2008, amounts to \$11.1 million (net of accumulated depreciation). This investment includes a broad range of assets including police and fire equipment, buildings, and sewer and water facilities. The Township's net investment in capital assets increased by \$576 thousand in the current fiscal year, as net asset additions (\$1 million) exceeded depreciation (\$427 thousand).

Major capital asset activity during the current fiscal year included capital outlays of approximately \$600 thousand for firefighting vehicles and equipment and \$220 thousand in costs for the construction of an addition to the fire building.

More detailed information about the Township's capital assets is presented in Note 5 of the notes to the basic financial statements.

Long-term debt

At the end of the fiscal year, the Township had total long-term loans and contracts outstanding in the amount of \$4.4 million, which represents a net increase of \$612 thousand, comprised of the debt issued for the fire vehicles and building construction, less current repayments for outstanding debt. All debt issues are backed by the full faith and credit of the Township.

State statutes limit the amount of general obligation debt the Township can issue to 10 percent of its total state equalized assessed value of property. The Township's total general obligation debt of \$4.4 is significantly lower than the current state-imposed limit of \$26.4 million.

Other long-term debt obligations of \$38 thousand represent accrued compensated absences.

More detailed information about the Township's long-term liabilities is presented in Note 8 of the notes to the basic financial statements.

Economic condition and outlook

Approximately \$1.8 million is available for appropriation in the General Fund. This represents 97% of anticipated annual expenditures for the upcoming year, which indicates that the Township began the 2009 fiscal year in a positive financial position.

Economic condition and outlook (Continued)

There are no significant planned changes in the types of ongoing services to be provided or in the levels of related levels of expenditures for ongoing operations during the upcoming fiscal year.

General Fund revenues from property taxes are expected to increase minimally in 2009, while State Revenue Sharing will possibly decrease due to the economic conditions of the State.

Revenues in the other governmental funds are used primarily to cover a portion of public safety and street lighting costs. Because of the nature of these funds, their fund balances are minimal. The expected public safety millage will cover approximately one half of the anticipated public safety expenditures for 2009, while the street lighting levy will essentially cover all of the direct costs for those services.

Small increases in sewer and water rates, which will be effective for fiscal year 2009, will help the Township offset continued cost increases for contractual sewerage treatment, and to maintain adequate reserves to cover required sewer and water debt payments.

Contacting the Township's financial management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Rob Behnke, Township Supervisor
Charter Township of Pennfield
20260 Capital Avenue NE
Battle Creek, Michigan 49017

Phone: (269) 968-8549
E-mail: rob@pennfieldtwp.com

INDEPENDENT AUDITORS' REPORT

Members of the Township Board
Charter Township of Pennfield, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Pennfield, Michigan, as of March 31, 2008, and for the year then ended, which collectively comprise the Charter Township of Pennfield, Michigan's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Charter Township of Pennfield, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Pennfield, Michigan, as of March 31, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis on pages i through vii, and the budgetary comparison schedule and analysis of funding progress on pages 27 through 30, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



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Members of the Township Board
Charter Township of Pennfield, Michigan
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Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Pennfield, Michigan's basic financial statements. The supplementary information, as listed in the contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Charter Township of Pennfield, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sigfried Crandall P.C.

June 30, 2008

BASIC FINANCIAL STATEMENTS

Charter Township of Pennfield
STATEMENT OF NET ASSETS
March 31, 2008

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 1,208,433	\$ 1,254,834	\$ 2,463,267
Investments	486,677	304,268	790,945
Receivables, net	206,239	136,459	342,698
Prepaid expenses	29,630	-	29,630
Internal balances	<u>9,441</u>	<u>(9,441)</u>	<u>-</u>
Total current assets	<u>1,940,420</u>	<u>1,686,120</u>	<u>3,626,540</u>
Noncurrent assets:			
Receivables, net	-	43,141	43,141
Capital assets not being depreciated	111,417	-	111,417
Capital assets, net of accumulated depreciation	<u>2,167,005</u>	<u>8,803,215</u>	<u>10,970,220</u>
Total noncurrent assets	<u>2,278,422</u>	<u>8,846,356</u>	<u>11,124,778</u>
Total assets	<u>4,218,842</u>	<u>10,532,476</u>	<u>14,751,318</u>
LIABILITIES			
Current liabilities:			
Payables	93,456	129,150	222,606
Customer deposits	-	9,698	9,698
Current portion of long-term obligations	<u>78,460</u>	<u>165,000</u>	<u>243,460</u>
Total current liabilities	171,916	303,848	475,764
Noncurrent liabilities - long-term obligations	<u>860,652</u>	<u>3,325,000</u>	<u>4,185,652</u>
Total liabilities	<u>1,032,568</u>	<u>3,628,848</u>	<u>4,661,416</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,377,597	5,313,215	6,690,812
Restricted for:			
Public safety	17,211	-	17,211
Public works	4,921	-	4,921
Parks and recreation	12,770	-	12,770
Unrestricted	<u>1,773,775</u>	<u>1,590,413</u>	<u>3,364,188</u>
Total net assets	<u>\$ 3,186,274</u>	<u>\$ 6,903,628</u>	<u>\$ 10,089,902</u>

See notes to the financial statements

Charter Township of Pennfield
STATEMENT OF ACTIVITIES
Year ended March 31, 2008

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>	
		<u>Charges for services</u>	<u>Operating grants and contributions</u> <u>Capital grants and contributions</u>
Governmental activities:			
Legislative	\$ 6,687	\$ -	\$ -
General government	485,629	141,586	-
Public safety	1,328,897	96,051	8,086
Public works	121,711	400	6,254
Community and economic development	13,924	-	-
Interest on long-term debt	44,777	-	-
Total governmental activities	<u>2,001,625</u>	<u>238,037</u>	<u>14,340</u> <u>59,042</u>
Business-type activities:			
Sewer	792,142	662,543	-
Water	443,691	328,178	-
Total business-type activities	<u>1,235,833</u>	<u>990,721</u>	<u>-</u> <u>15,800</u>
Total	<u>\$ 3,237,458</u>	<u>\$ 1,228,758</u>	<u>\$ 14,340</u> <u>\$ 74,842</u>

General revenues:

Property taxes
State grants
Investment income
Franchise fees
Loss on disposal of capital assets
Other

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

Net (expenses) revenues and changes in net assets

<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
\$ (6,687)		\$ (6,687)
(344,043)		(344,043)
(1,165,718)		(1,165,718)
(115,057)		(115,057)
(13,924)		(13,924)
<u>(44,777)</u>		<u>(44,777)</u>
 <u>(1,690,206)</u>		 <u>(1,690,206)</u>
	\$ (129,599)	(129,599)
	<u>(99,713)</u>	<u>(99,713)</u>
	 <u>(229,312)</u>	 <u>(229,312)</u>
<u>(1,690,206)</u>	<u>(229,312)</u>	<u>(1,919,518)</u>
 945,930	-	945,930
666,765	-	666,765
94,944	76,715	171,659
24,003	-	24,003
(3,698)		(3,698)
<u>20,902</u>	<u>-</u>	<u>20,902</u>
 <u>1,748,846</u>	 <u>76,715</u>	 <u>1,825,561</u>
 58,640	(152,597)	(93,957)
<u>3,127,634</u>	<u>7,056,225</u>	<u>10,183,859</u>
 <u>\$ 3,186,274</u>	 <u>\$ 6,903,628</u>	 <u>\$ 10,089,902</u>

See notes to the financial statements

Charter Township of Pennfield
BALANCE SHEET - governmental funds
 March 31, 2008

	<u>General</u>	<u>Public Safety</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
ASSETS				
Cash	\$ 1,173,531	\$ 17,211	\$ 17,691	\$ 1,208,433
Investments	486,677	-	-	486,677
Receivables, net	145,136	53,930	7,173	206,239
Due from other funds	70,544	-	-	70,544
Total assets	<u>\$ 1,875,888</u>	<u>\$ 71,141</u>	<u>\$ 24,864</u>	<u>\$ 1,971,893</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payables	\$ 49,256	\$ -	\$ -	\$ 49,256
Due to other funds	-	53,930	7,173	61,103
Total liabilities	<u>49,256</u>	<u>53,930</u>	<u>7,173</u>	<u>110,359</u>
Fund balances:				
Unreserved	1,826,632	17,211	-	1,843,843
Unreserved, reported in nonmajor - special revenue funds	-	-	17,691	17,691
Total fund balances	<u>1,826,632</u>	<u>17,211</u>	<u>17,691</u>	<u>1,861,534</u>
Total liabilities and fund balances	<u>\$ 1,875,888</u>	<u>\$ 71,141</u>	<u>\$ 24,864</u>	<u>\$ 1,971,893</u>
Total fund balances				\$ 1,861,534

Amounts reported for *governmental activities* in the statement of net assets (page 5) are different because:

Capital assets used in <i>governmental activities</i> are not a financial resource and are not reported in the funds.	2,278,422
Prepaid expenses are not a current financial resource and are not reported in the fund financial statements.	29,630
Accrued compensated absences are not due and payable in the current period and are not reported in the fund financial statements	(38,287)
Accrued interest expense on long-term debt is not due and payable in the current period and is not reported in the fund financial statements	(44,200)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(900,825)
Net assets of <i>governmental activities</i>	<u>\$ 3,186,274</u>

See notes to the financial statements

Charter Township of Pennfield

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds**

Year ended March 31, 2008

	<u>General</u>	<u>Public Safety</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
REVENUES				
Taxes	\$ 316,469	\$ 658,828	\$ 73,165	\$ 1,048,462
State grants	666,765	-	6,254	673,019
Federal grants	-	59,042	-	59,042
Fines and forfeitures	40,965	-	-	40,965
Licenses and permits	85,165	-	-	85,165
Charges for services	32,427	-	-	32,427
Interest and rentals	100,224	783	564	101,571
Other	48,289	-	11,282	59,571
Total revenues	<u>1,290,304</u>	<u>718,653</u>	<u>91,265</u>	<u>2,100,222</u>
EXPENDITURES				
Legislative	6,687	-	-	6,687
General government	495,156	-	-	495,156
Public safety	1,262,874	-	-	1,262,874
Public works	110,726	-	11,282	122,008
Community and economic development	13,924	-	-	13,924
Debt service:				
Principal	65,321	-	-	65,321
Interest	577	-	-	577
Capital outlay	931,525	62,093	4,808	998,426
Total expenditures	<u>2,886,790</u>	<u>62,093</u>	<u>16,090</u>	<u>2,964,973</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,596,486)</u>	<u>656,560</u>	<u>75,175</u>	<u>(864,751)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from the issuance of debt	831,975	-	-	831,975
Transfers in	744,938	-	-	744,938
Transfers out	-	(658,828)	(86,110)	(744,938)
Total other financing sources (uses)	<u>1,576,913</u>	<u>(658,828)</u>	<u>(86,110)</u>	<u>831,975</u>
NET CHANGES IN FUND BALANCES	<u>(19,573)</u>	<u>(2,268)</u>	<u>(10,935)</u>	<u>(32,776)</u>
FUND BALANCES - BEGINNING	<u>1,846,205</u>	<u>19,479</u>	<u>28,626</u>	<u>1,894,310</u>
FUND BALANCES - ENDING	<u>\$ 1,826,632</u>	<u>\$ 17,211</u>	<u>\$ 17,691</u>	<u>\$ 1,861,534</u>

See notes to the financial statements

Charter Township of Pennfield

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds (Continued)**

Year ended March 31, 2008

Net changes in fund balances - total governmental funds	\$ (32,776)
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Amounts reported for *governmental activities* in the statement of activities (page 6) are different because:

Capital assets:

Assets acquired	1,007,029
Provision for depreciation	(90,264)
Basis of assets disposed	(3,698)

Long-term debt

Issuance of long-term obligations	(831,975)
Principal repayments	65,321

Increase in accrued interest expense	(44,200)
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Decrease in prepaid expense	(10,370)
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Net increase in liability for compensated absences	<u>(427)</u>
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Change in net assets of <i>governmental activities</i>	<u>\$ 58,640</u>
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Charter Township of Pennfield
STATEMENT OF NET ASSETS - proprietary funds
March 31, 2008

	<i>Enterprise funds</i>		
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 905,216	\$ 291,942	\$ 1,197,158
Investments	11,889	292,379	304,268
Receivables, net	89,862	46,597	136,459
Total current assets	<u>1,006,967</u>	<u>630,918</u>	<u>1,637,885</u>
Noncurrent assets:			
Receivables, net	14,938	28,203	43,141
Advance to other fund	300,000	-	300,000
Cash reserved for debt service	41,239	16,437	57,676
Capital assets, net of accumulated depreciation	<u>4,082,926</u>	<u>4,720,289</u>	<u>8,803,215</u>
Total noncurrent assets	<u>4,439,103</u>	<u>4,764,929</u>	<u>9,204,032</u>
Total assets	<u>5,446,070</u>	<u>5,395,847</u>	<u>10,841,917</u>
LIABILITIES			
Current liabilities:			
Payables	63,715	65,435	129,150
Due to other funds	6,256	3,185	9,441
Customer deposits	9,698	-	9,698
Current portion of long-term obligations	<u>75,000</u>	<u>90,000</u>	<u>165,000</u>
Total current liabilities	<u>154,669</u>	<u>158,620</u>	<u>313,289</u>
Noncurrent liabilities:			
Advance from other fund	-	300,000	300,000
Long-term obligations	<u>675,000</u>	<u>2,650,000</u>	<u>3,325,000</u>
Total noncurrent liabilities	<u>675,000</u>	<u>2,950,000</u>	<u>3,625,000</u>
Total liabilities	<u>829,669</u>	<u>3,108,620</u>	<u>3,938,289</u>
NET ASSETS			
Investment in capital assets, net of related debt	3,332,926	1,980,289	5,313,215
Unrestricted	<u>1,283,475</u>	<u>306,938</u>	<u>1,590,413</u>
Total net assets	<u>\$ 4,616,401</u>	<u>\$ 2,287,227</u>	<u>\$ 6,903,628</u>

See notes to the financial statements

Charter Township of Pennfield**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - proprietary funds**

Year ended March 31, 2008

	<i>Enterprise funds</i>		
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>
OPERATING REVENUES			
Charges for services	\$ 637,819	\$ 296,899	\$ 934,718
Other	24,724	31,279	56,003
Total operating revenues	<u>662,543</u>	<u>328,178</u>	<u>990,721</u>
OPERATING EXPENSES			
Personnel costs	91,630	47,577	139,207
Contractual services	425,609	32,650	458,259
Repairs and maintenance	4,238	33,250	37,488
Supplies	7,967	9,731	17,698
Insurance	3,034	7,520	10,554
Utilities	2,347	11,861	14,208
Depreciation	189,363	148,362	337,725
Administrative fees	11,880	6,120	18,000
Other	18,261	5,357	23,618
Total operating expenses	<u>754,329</u>	<u>302,428</u>	<u>1,056,757</u>
Operating income (loss)	<u>(91,786)</u>	<u>25,750</u>	<u>(66,036)</u>
NONOPERATING REVENUES (EXPENSES)			
Tap fees	-	15,800	15,800
Interest revenue	44,193	32,522	76,715
Interest expense	<u>(37,813)</u>	<u>(141,263)</u>	<u>(179,076)</u>
Total nonoperating expenses	<u>6,380</u>	<u>(92,941)</u>	<u>(86,561)</u>
CHANGE IN NET ASSETS	<u>(85,406)</u>	<u>(67,191)</u>	<u>(152,597)</u>
NET ASSETS - BEGINNING	<u>4,701,807</u>	<u>2,354,418</u>	<u>7,056,225</u>
NET ASSETS - ENDING	<u>\$ 4,616,401</u>	<u>\$ 2,287,227</u>	<u>\$ 6,903,628</u>

See notes to the financial statements

Charter Township of Pennfield
STATEMENT OF CASH FLOWS - proprietary funds
Year ended March 31, 2008

	Enterprise funds		
	Sewer	Water	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 655,049	\$ 332,666	\$ 987,715
Payments to vendors and suppliers	(471,033)	(106,236)	(577,269)
Payments to employees	(90,440)	(46,300)	(136,740)
Net cash provided by operating activities	93,576	180,130	273,706
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(573)	(295)	(868)
Tap fees	-	15,800	15,800
Principal collections on special assessments	21,294	8,439	29,733
Special assessments interest	2,137	2,016	4,153
Principal payments on long-term debt	(75,000)	(80,000)	(155,000)
Interest payments on long-term debt	(39,375)	(146,418)	(185,793)
Net cash used in capital and related financing activities	(91,517)	(200,458)	(291,975)
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of investments	505	7,955	8,460
Interest received	41,773	26,878	68,651
Net cash provided by investing activities	42,278	34,833	77,111
NET INCREASE IN CASH	44,337	14,505	58,842
CASH - BEGINNING, including restricted cash: Sewer - \$84,468 and Water - \$48,560	902,118	293,874	1,195,992
CASH - ENDING			
cash: Sewer - \$41,239 and Water - \$16,437	<u>\$ 946,455</u>	<u>\$ 308,379</u>	<u>\$ 1,254,834</u>

See notes to the financial statements

Charter Township of Pennfield**STATEMENT OF CASH FLOWS - proprietary funds (Continued)**

Year ended March 31, 2008

	<i>Enterprise funds</i>		
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (91,786)	\$ 25,750	\$ (66,036)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	189,363	148,362	337,725
(Increase) decrease in receivables	(8,212)	4,488	(3,724)
Increase (decrease) in:			
Payables	1,812	(88)	1,724
Accrued payroll	1,190	1,277	2,467
Due to other funds	491	341	832
Customer deposits	718	-	718
Net cash provided by operating activities	<u>\$ 93,576</u>	<u>\$ 180,130</u>	<u>\$ 273,706</u>

See notes to the financial statements

Charter Township of Pennfield

STATEMENT OF FIDUCIARY NET ASSETS - *agency fund*

March 31, 2008

ASSETS

Cash	\$ <u>6,847</u>
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LIABILITIES

Due to other governmental units	\$ <u>6,847</u>
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See notes to the financial statements

Charter Township of Pennfield
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Charter Township of Pennfield, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Charter Township of Pennfield
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Public Safety Fund accounts for funds earmarked for the special revenue fund.

The Township reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the Township's sewage collection systems and treatment plant.

The Water Fund accounts for the activities of the Township's water distribution system.

Additionally, the Township reports the following fund types:

The Agency Fund, a fiduciary fund, which accounts for financial assets held for other units of government.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Charter Township of Pennfield
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash consists of cash on hand, demand deposits, and highly liquid short-term investments with original maturities of three months or less from the date of acquisition.

ii) Receivables - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., sewer and water systems, roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets of government activities either retroactively to June 15, 1980, or prospectively. The Township has elected to account for its infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	40 - 60 years
Building improvements	15 - 30 years
Water and sewer lines	50 - 75 years
Roads	10 - 30 years
Infrastructure	5 - 50 years
Equipment	3 - 5 years

iv) Compensated absences - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability for unpaid accumulated vacation and sick leave has been recorded for the portion due to employees upon separation from service with the Township. Vested compensated absences are accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

v) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Charter Township of Pennfield
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity:

vii) Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, taxes have been deferred from recognition as revenue until the following year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Township's general and special revenue funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year. The Township had the following significant budget variance:

<u>Fund</u>	<u>Function</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
General	Capital outlay	\$ 730,654	\$ 931,525	\$ (200,871)
Public safety	Capital outlay	-	62,093	(62,093)

NOTE 3 - CASH AND INVESTMENTS:

Cash as presented in the accompanying financial statements, consisted of the following:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Fiduciary</u>	<u>Total</u>
Deposits	\$ 1,208,008	\$ 1,254,834	\$ 6,847	\$ 2,469,689
Cash on hand	<u>425</u>	<u>-</u>	<u>-</u>	<u>425</u>
Total cash	<u>\$ 1,208,433</u>	<u>\$ 1,254,834</u>	<u>\$ 6,847</u>	<u>\$ 2,470,114</u>

Deposits with financial institutions:

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township's deposits are in accordance with statutory authority. Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. At March 31, 2008, \$1,883,366 of the Township's bank balances of \$2,473,916 was exposed to custodial credit risk because it was uninsured and uncollateralized. The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Charter Township of Pennfield
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued):

Investments:

State statutes and the Township's investment policy authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, with three (3) highest rate classifications by at least two (2) rating services, maturing not later than 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; and e) investment pools composed of otherwise legal investments. All investments are reported at fair value.

At March 31, 2008, the Township's investments consisted of the following:

<i>Investment type</i>	<i>Fair value</i>	<i>Weighted average years to maturity</i>
Government National Mortgage Association	\$ 552,431	16.9
GNMA Unit Investment Trusts	<u>238,514</u>	N/A
	<u>\$ 790,945</u>	

Investments in Government National Mortgage Association (GNMA) securities are explicitly backed by the full faith and credit of the federal government, and, accordingly, are not considered to have credit risk.

NOTE 4 - RECEIVABLES:

At March 31, 2008, the Township's receivables were as follows:

	<i>Property taxes</i>	<i>Accounts</i>	<i>Inter-governmental</i>	<i>Totals</i>
Governmental funds:				
General Fund	\$ 27,854	\$ 17,092	\$ 100,190	\$ 145,136
Public Safety Fund	53,930	-	-	53,930
Nonmajor governmental funds	<u>7,173</u>	<u>-</u>	<u>-</u>	<u>7,173</u>
Total governmental activities	<u>\$ 88,957</u>	<u>\$ 17,092</u>	<u>\$ 100,190</u>	<u>\$ 206,239</u>
Proprietary funds:				
Sewer Fund	\$ -	\$ 104,800	\$ -	\$ 104,800
Water Fund	<u>-</u>	<u>74,800</u>	<u>-</u>	<u>74,800</u>
Total business-type activities	<u>\$ -</u>	<u>\$ 179,600</u>	<u>\$ -</u>	<u>\$ 179,600</u>
Non current portion	<u>\$ -</u>	<u>\$ 43,141</u>	<u>\$ -</u>	<u>\$ 43,141</u>

All receivables are considered fully collectible.

Charter Township of Pennfield
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2008, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 111,417	\$ -	\$ -	\$ 111,417
Capital assets being depreciated:				
Buildings and improvements	298,380	287,979	(4,590)	581,769
Furniture, fixtures, and equipment	335,256	136,078	(7,519)	463,815
Vehicles	1,062,279	582,972	-	1,645,251
Infrastructure - drains	183,807	-	-	183,807
Subtotal	<u>1,879,722</u>	<u>1,007,029</u>	<u>(12,109)</u>	<u>2,874,642</u>
Less accumulated depreciation for:				
Buildings and improvements	(175,014)	(8,613)	985	(182,642)
Furniture, fixtures, and equipment	(158,271)	(37,769)	7,426	(188,614)
Vehicles	(284,370)	(39,511)	-	(323,881)
Infrastructure - drains	(8,129)	(4,371)	-	(12,500)
Subtotal	<u>(625,784)</u>	<u>(90,264)</u>	<u>8,411</u>	<u>(707,637)</u>
Total capital assets being depreciated, net	<u>1,253,938</u>	<u>916,765</u>	<u>(3,698)</u>	<u>2,167,005</u>
Governmental activities capital assets, net	<u>\$ 1,365,355</u>	<u>\$ 916,765</u>	<u>\$ (3,698)</u>	<u>\$ 2,278,422</u>
Business-type activities:				
Sewer:				
Capital assets being depreciated:				
Sewer disposal system	\$ 9,356,385	\$ -	\$ -	\$ 9,356,385
Equipment	83,018	857	-	83,875
Subtotal	<u>9,439,403</u>	<u>857</u>	<u>-</u>	<u>9,440,260</u>
Less accumulated depreciation for:				
Sewer disposal system	(5,091,855)	(187,128)	-	(5,278,983)
Equipment	(76,116)	(2,235)	-	(78,351)
Subtotal	<u>(5,167,971)</u>	<u>(189,363)</u>	<u>-</u>	<u>(5,357,334)</u>
Total sewer fund capital assets, net	<u>4,271,432</u>	<u>(188,506)</u>	<u>-</u>	<u>4,082,926</u>

Charter Township of Pennfield
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities (continued):				
Water Fund:				
Capital assets being depreciated:				
Water supply system	\$ 6,745,559	\$ -	\$ -	\$ 6,745,559
Equipment	<u>104,348</u>	<u>440</u>	<u>-</u>	<u>104,788</u>
Subtotal	<u>6,849,907</u>	<u>440</u>	<u>-</u>	<u>6,850,347</u>
Less accumulated depreciation for:				
Water supply system	(1,898,258)	(143,784)	-	(2,042,042)
Equipment	<u>(83,438)</u>	<u>(4,578)</u>	<u>-</u>	<u>(88,016)</u>
Subtotal	<u>(1,981,696)</u>	<u>(148,362)</u>	<u>-</u>	<u>(2,130,058)</u>
Total water fund capital assets, net	<u>4,868,211</u>	<u>(147,922)</u>	<u>-</u>	<u>4,720,289</u>
Business-type activities capital assets, net	<u>\$ 9,139,643</u>	<u>\$ (336,428)</u>	<u>\$ -</u>	<u>\$ 8,803,215</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 19,595
Public safety	64,492
Public works	<u>6,177</u>
Total governmental activities	<u>\$ 90,264</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

At March 31, 2008, the composition of interfund balances was as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Fund</u>	<u>Payables</u>
General Fund	<u>\$ 70,544</u>	Public Safety Fund	\$ 53,930
		Nonmajor governmental funds	7,173
		Sewer Fund	6,256
		Water Fund	<u>3,185</u>
			<u>\$ 70,544</u>

The amount owed to the General Fund represent reimbursements due for costs paid on behalf of other funds.

Charter Township of Pennfield
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued):

A summary of interfund transfers for the year ended March 31, 2008, is as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
General Fund	<u>\$ 744,938</u>	Public Safety Fund	\$ 658,828
		Nonmajor governmental funds	<u>86,110</u>
			<u>\$ 744,938</u>

The transfers represent transfers of annual assessment revenues to offset related costs recorded in the Township's General Fund.

NOTE 7 - PAYABLES:

At March 31, 2008, the Township's payables were as follows:

	<u>Accounts</u>	<u>Payroll</u>	<u>Interest</u>	<u>Totals</u>
Governmental funds:				
General Fund	<u>\$ 28,025</u>	<u>\$ 21,231</u>	<u>\$ -</u>	<u>\$ 49,256</u>
Proprietary funds:				
Sewer Fund	\$ 36,597	\$ 11,493	\$ 15,625	\$ 63,715
Water Fund	<u>2,039</u>	<u>6,430</u>	<u>56,966</u>	<u>65,435</u>
Total	<u>\$ 38,636</u>	<u>\$ 17,923</u>	<u>\$ 72,591</u>	<u>\$ 129,150</u>

Charter Township of Pennfield
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - LONG-TERM OBLIGATIONS:

At March 31, 2008, long-term liabilities are comprised of the following individual issues:

Governmental activities:

Notes:

\$160,650 2004 0% Calhoun County Drain Commission Debt; due in annual installments of \$22,950 through October 2011. \$ 68,850

\$223,800 2007 5.35% Note payable, Kansas State Bank; due in annual installments of \$22,074 including interest, beginning July 2008 through July 2022. 219,419

\$624,801 2006 4.75% Note payable, Kansas State Bank; due in annual installments of \$80,624 including interest, beginning April 2008 through April 2017. 612,556

Total notes 900,825

Accrued compensated absences 38,287

Total \$ 939,112

Business-type activities:

Contracts payable:

Contract with county to provide payment for Western Calhoun County Sanitary Sewer System No. 28 (Township of Pennfield) Bond, bearing interest at 5%, maturing each year through 2018, principal installment is \$75,000. \$ 750,000

Contract with county to provide payment for Calhoun County Water Supply System Series 1997 (Township of Pennfield) Bond, bearing interest at 5% to 7%, maturing each year through 2033, principal installments range from \$25,000 to \$125,000. 2,125,000

Contract with county to provide payment for Calhoun County Water Supply System No. 6, 1993 (Township of Pennfield) Bond, bearing interest at 5%, maturing each year through 2023, principal installments range from \$30,000 to \$45,000. 615,000

Total \$ 3,490,000

Charter Township of Pennfield
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - LONG-TERM OBLIGATIONS (Continued):

Long-term obligation activity for the year ended March 31, 2008, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:					
2004 County Drain Contract	\$ 91,800	\$ -	\$ (22,950)	\$ 68,850	\$ 22,950
2004 Note	42,371	-	(42,371)	-	-
2007 Note	-	219,419	-	219,419	10,101
2006 Note	-	612,556	-	612,556	45,409
Total contracts and notes	134,171	831,975	(65,321)	900,825	78,460
Compensated absences	37,860	427	-	38,287	-
Total	<u>\$ 172,031</u>	<u>\$ 832,402</u>	<u>\$ (65,321)</u>	<u>\$ 939,112</u>	<u>\$ 78,460</u>
Business-type activities:					
Sewer contract payable	\$ 825,000	\$ -	\$ (75,000)	\$ 750,000	\$ 75,000
1997 contract payable	2,175,000	-	(50,000)	2,125,000	50,000
1993 contract payable	645,000	-	(30,000)	615,000	40,000
Total	<u>\$ 3,645,000</u>	<u>\$ -</u>	<u>\$ (155,000)</u>	<u>\$ 3,490,000</u>	<u>\$ 165,000</u>

At March 31, 2008, debt service requirements, excluding compensated absences, were as follows:

<u>Year ended March 31:</u>	<u>Governmental activities</u>		<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 78,460	\$ 47,187	\$ 165,000	\$ 177,231
2010	86,672	38,977	165,000	168,856
2011	89,764	35,885	165,000	160,544
2012	70,058	32,641	165,000	152,269
2013	73,459	29,240	165,000	143,963
2014-2018	424,386	89,107	825,000	593,606
2019-2023	78,026	15,719	715,000	394,805
2024-2028	-	-	500,000	231,405
2029-2033	-	-	625,000	81,673
Totals	<u>\$ 900,825</u>	<u>\$ 288,756</u>	<u>\$ 3,490,000</u>	<u>\$ 2,104,352</u>

All debt is secured by the full faith and credit of the Township.

Charter Township of Pennfield
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - DEFINED BENEFIT PENSION PLAN:

Plan description:

The Township's defined benefit pension plan provides retirement benefits to qualified employees and their beneficiaries. The Township's defined benefit pension plan is affiliated with the Municipal Employees' Retirement System of Michigan (MERS), an agent, multiple-employer, public employee retirement system that acts as a common investment and administrative agent for municipalities in Michigan. Public Act 220 of 1996 of the State of Michigan assigns the authority to establish and amend the benefit provisions to the Township. The MERS issues a publicly-available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Municipal Employees' Retirement System of Michigan, 447 N. Canal, Lansing, Michigan 48917, or by calling 1-800-767-6377.

Funding policy:

MERS members are required to contribute an amount varying between 0 and 10 percent, based on the benefit structure established by each employer. The Township is required to contribute at an actuarially determined rate, which currently is 11.10 percent. Covered employees are required to contribute 4.50% to the plan. Administrative costs of the plan are financed through investment earnings.

Annual pension cost:

For the year ended March 31, 2008, the Township's annual pension cost of \$64,153 for its defined benefit pension plan equaled the required contributions. The required contribution was determined as part of the March 31, 2006, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included a) 8 percent investment rate of return, net of administrative expenses, b) projected salary increases of 4.5 percent per year, and c) no cost of living adjustments. The actuarial value of the plan's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The plan has an unfunded actuarial accrued liability, which is being amortized over 30 years as a level percentage of payroll.

Trend information:

<i>Fiscal year ended March 31:</i>	<i>Annual pension cost (APC)</i>	<i>Percentage of APC contributed</i>	<i>Net pension obligation</i>
2006	\$ 63,208	100%	\$ -
2007	63,220	100%	-
2008	64,153	100%	-

Charter Township of Pennfield
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - CLAIMS ARISING FROM RISKS OF LOSS:

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Risks of losses arising from possible claims are managed through the purchase of commercial insurance. Coverage for general, professional, and wrongful act liabilities are set at \$5,000,000 per incident, with policy period maximums at \$5,000,000 to \$15,000,000. Fleet liability coverage includes bodily injury and property damage liability protection up to \$5,000,000 and damage coverage at replacement value for fire and rescue vehicles up to approximately \$1,200,000, and at cash values for other Township vehicles. Buildings and property coverage total approximately \$4,000,000. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 11 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended March 31, 2008, is as follows:

Revenues	\$ 52,394
Expenses	<u>(56,911)</u>
Deficiency of revenues over expenses	<u>\$ (4,517)</u>

REQUIRED SUPPLEMENTARY INFORMATION

Charter Township of Pennfield

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 313,500	\$ 316,900	\$ 316,469	\$ (431)
State grants	670,595	670,595	666,765	(3,830)
Fines and forfeitures	42,200	42,200	40,965	(1,235)
Licenses and permits	122,759	142,835	85,165	(57,670)
Charges for services	26,400	32,900	32,427	(473)
Interest and rentals	58,900	84,623	100,224	15,601
Other	16,100	62,949	48,289	(14,660)
Total revenues	<u>1,250,454</u>	<u>1,353,002</u>	<u>1,290,304</u>	<u>(62,698)</u>
EXPENDITURES				
Legislative - Township Board	<u>7,650</u>	<u>6,786</u>	<u>6,687</u>	<u>99</u>
General government:				
Supervisor	59,091	58,007	57,621	386
Elections	22,841	11,741	11,380	361
Assessor	52,740	62,251	60,636	1,615
Clerk	56,370	55,339	54,818	521
General office	156,312	183,007	175,445	7,562
Treasurer	57,840	55,991	55,629	362
Buildings and grounds	15,273	49,714	46,798	2,916
Other	65,515	79,195	32,829	46,366
Total general government	<u>485,982</u>	<u>555,245</u>	<u>495,156</u>	<u>60,089</u>
Public safety:				
Police protection	782,520	786,880	786,063	817
Fire protection	363,602	396,599	383,942	12,657
Building inspection	67,259	67,823	56,911	10,912
Ordinance enforcement	41,020	37,620	35,958	1,662
Total public safety	<u>1,254,401</u>	<u>1,288,922</u>	<u>1,262,874</u>	<u>26,048</u>
Public works:				
Street lights	67,000	75,100	75,032	68
Street signs	-	1,394	1,393	1
Road maintenance	17,000	31,945	31,944	1
Drains	2,860	2,360	2,357	3
Total public works	<u>86,860</u>	<u>110,799</u>	<u>110,726</u>	<u>73</u>

Charter Township of Pennfield

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
Community and economic development - planning and zoning	\$ 19,489	\$ 14,989	\$ 13,924	\$ 1,065
Debt service:				
Principal	67,350	65,350	65,321	29
Interest	600	600	577	23
Total debt service	67,950	65,950	65,898	52
Capital outlay	53,822	730,654	931,525	(200,871)
Total expenditures	1,976,154	2,773,345	2,886,790	(113,445)
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(725,700)</u>	<u>(1,420,343)</u>	<u>(1,596,486)</u>	<u>(176,143)</u>
OTHER FINANCING SOURCES				
Proceeds from the issuance of debt	-	631,032	831,975	200,943
Transfer from Street Lights Fund	67,000	73,100	73,165	65
Transfer from Public Safety Fund	658,700	658,700	658,828	128
Transfer from Metro Act Fund	-	12,945	12,945	-
Total other financing sources	725,700	1,375,777	1,576,913	201,136
NET CHANGES IN FUND BALANCES	-	(44,566)	(19,573)	24,993
FUND BALANCES - BEGINNING	<u>1,846,205</u>	<u>1,846,205</u>	<u>1,846,205</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,846,205</u>	<u>\$ 1,801,639</u>	<u>\$ 1,826,632</u>	<u>\$ 24,993</u>

Charter Township of Pennfield

BUDGETARY COMPARISON SCHEDULE - Public Safety Fund

Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 658,700	\$ 658,700	\$ 658,828	\$ 128
Federal grants	-	-	59,042	59,042
Interest	-	-	783	783
Total revenues	658,700	658,700	718,653	59,953
EXPENDITURES				
Capital outlay	-	-	62,093	(62,093)
EXCESS OF REVENUES OVER EXPENDITURES	658,700	658,700	656,560	(2,140)
OTHER FINANCING USES				
Transfer to General Fund	(658,700)	(658,700)	(658,828)	(128)
NET CHANGES IN FUND BALANCES	-	-	(2,268)	(2,268)
FUND BALANCES - BEGINNING	19,479	19,479	19,479	-
FUND BALANCES - ENDING	<u>\$ 19,479</u>	<u>\$ 19,479</u>	<u>\$ 17,211</u>	<u>\$ (2,268)</u>

Charter Township of Pennfield
ANALYSIS OF FUNDING PROGRESS - Employee Retirement System
(Municipal Employees' Retirement System of Michigan)

The information presented in the required supplementary schedule was determined as part of the actuarial valuations at the dates indicated.

<i>Actuarial valuation date December 31,</i>	<i>Actuarial value of assets (a)</i>	<i>Actuarial accrued liability (AAL) entry age (b)</i>	<i>Funded ratio (a)/(b)</i>	<i>Underfunded AAL (UAAL) (b-a)</i>	<i>Covered payroll (c)</i>	<i>UAAL as a percentage of covered payroll ((b-a)/c)</i>
2003*	\$ 625,375	\$ 1,035,424	60%	\$ 410,049	\$ 482,911	85%
2004	729,253	1,156,303	63%	427,050	501,329	85%
2005	826,347	1,289,537	64%	463,190	544,149	85%
2006	943,131	1,377,830	68%	434,699	558,495	78%

*Plan participation began June 1, 2003.

SUPPLEMENTARY INFORMATION

Charter Township of Pennfield**COMBINING BALANCE SHEET - nonmajor governmental funds**

March 31, 2008

	<u>Street Lights</u>	<u>Park</u>	<u>Metro Act</u>	<u>Paving</u>	<u>Totals</u>
ASSETS					
Cash	\$ -	\$ 12,770	\$ 4,921	\$ -	\$ 17,691
Receivable, net	<u>7,173</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,173</u>
Total assets	<u>\$ 7,173</u>	<u>\$ 12,770</u>	<u>\$ 4,921</u>	<u>\$ -</u>	<u>\$ 24,864</u>
LIABILITIES AND FUND BALANCES					
Liabilities - due to other funds	\$ 7,173	\$ -	\$ -	-	\$ 7,173
Fund balances - unreserved, undesignated	<u>-</u>	<u>12,770</u>	<u>4,921</u>	<u>-</u>	<u>17,691</u>
Total liabilities and fund balances	<u>\$ 7,173</u>	<u>\$ 12,770</u>	<u>\$ 4,921</u>	<u>\$ -</u>	<u>\$ 24,864</u>

Charter Township of Pennfield

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - *nonmajor governmental funds***

Year ended March 31, 2008

	<u><i>Street Lights</i></u>	<u><i>Park</i></u>	<u><i>Metro Act</i></u>	<u><i>Paving</i></u>	<u><i>Totals</i></u>
REVENUES					
Property taxes	\$ 73,165	\$ -	\$ -	\$ -	\$ 73,165
State grants	-	-	6,254	-	6,254
Other	-	-	-	11,282	11,282
Interest	-	564	-	-	564
Total revenues	<u>73,165</u>	<u>564</u>	<u>6,254</u>	<u>11,282</u>	<u>91,265</u>
EXPENDITURES					
Public works	-	-	-	11,282	11,282
Capital outlay	-	-	4,808	-	4,808
Total expenditures	<u>-</u>	<u>-</u>	<u>4,808</u>	<u>11,282</u>	<u>16,090</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>73,165</u>	<u>564</u>	<u>1,446</u>	<u>-</u>	<u>75,175</u>
OTHER FINANCING USES					
Transfer to General Fund	<u>(73,165)</u>	<u>-</u>	<u>(12,945)</u>	<u>-</u>	<u>(86,110)</u>
Total other financing uses	<u>(73,165)</u>	<u>-</u>	<u>(12,945)</u>	<u>-</u>	<u>(86,110)</u>
NET CHANGES IN FUND BALANCES	-	564	(11,499)	-	(10,935)
FUND BALANCES - BEGINNING	<u>-</u>	<u>12,206</u>	<u>16,420</u>	<u>-</u>	<u>28,626</u>
FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ 12,770</u>	<u>\$ 4,921</u>	<u>\$ -</u>	<u>\$ 17,691</u>

June 30, 2008

To the Board of Trustees
Charter Township of Pennfield

We have audited the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Pennfield for the year ended March 31, 2008, and have issued our report thereon dated June 30, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 3, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Charter Township of Pennfield are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by Charter Township of Pennfield during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Township's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.



1958-2008

The disclosures in the financial statements are neutral, consistent, and clear.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended March 31, 2008.

Other Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Charter Township of Pennfield's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the Charter Township of Pennfield as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Charter Township of Pennfield's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of the Board of Trustees of the Charter Township of Pennfield and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Siegfried Crandall P.C.